NA3
11:F71/4
C.2

North Carolina State Library
Raleigh N. C.
Doc.

CAPITAL IMPROVEMENTS BUDGET

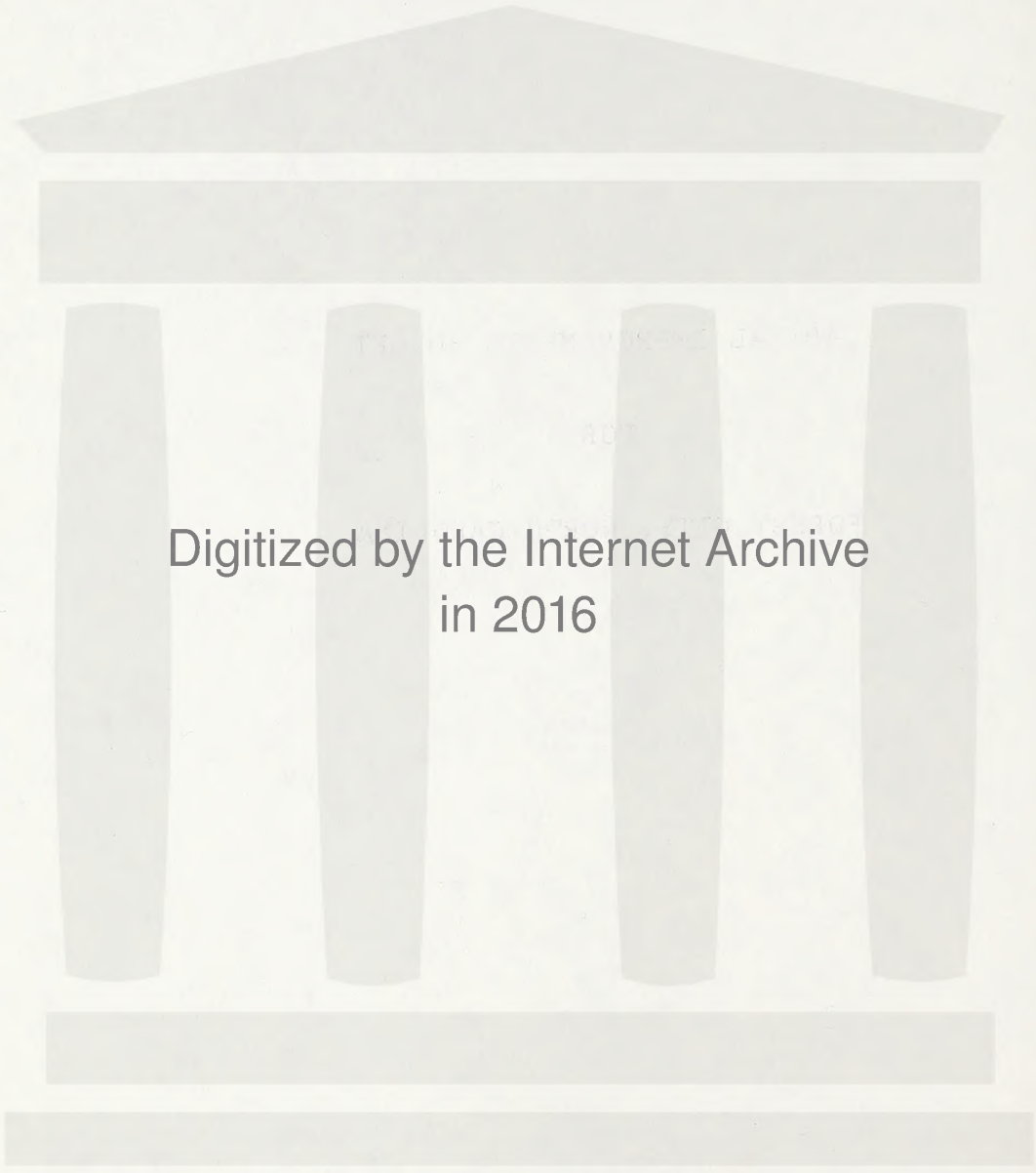
AUG 1 1975

FOREST CITY, NORTH CAROLINA

CAPITAL IMPROVEMENTS BUDGET

FOR

FOREST CITY, NORTH CAROLINA



Digitized by the Internet Archive
in 2016

https://archive.org/details/capitalimproveme1975fore

CAPITAL IMPROVEMENTS BUDGET

FOR

FOREST CITY, NORTH CAROLINA

PREPARED FOR:

F. I. Barber, Jr., Mayor

Board of City Councilmen
- Marion Michalove
- Stover Danagan, Jr.
- James O. Gibbs
- Clyde Hardin
- Milton Higdon

City Manager
- A. L. Wiley
- Charles Butler, Assistant

Forest City Planning Board
- Lynn Watson, Chairman
- Charles Flack, Jr.
- Mayfield Woods
- Jack Wooford
- Bill Jenkins
- Betty James
- Clyde Hardin, Ex-Officio
- Charles Butler, Secretary
- S. L. Lawing

TECHNICAL ASSISTANCE PROVIDED BY:

NORTH CAROLINA DEPARTMENT OF NATURAL AND ECONOMIC RESOURCES
- James E. Harrington, Secretary

Division of Community Assistance
- Robert S. Ewing, Director

Local Planning and Management Services Section
- Billy Ray Hall, Chief

Western Field Office, Asheville, N.C.
- Alan Lang, Chief Planner
- Ralph Ledford, Project Planner
- Hermon Rector, Draftsman
- Phyllis Hipps, Stenographer
- Pat Underwood, Stenographer

LIST OF TABLES

Number		Page
1	ANNUAL DEBT SERVICE REQUIREMENTS, FISCAL YEAR 1975-1980.	12
2	OUTSTANDING PRINCIPAL, PROJECTED APPRAISED VALUATION AND DEBT LIMIT, FISCAL YEAR 1976-1980.	13
3	REVENUE SUMMARY BY FUND, FISCAL YEAR 1970-1974	14
4	EXPENDITURE SUMMARY BY FUND, FISCAL YEAR 1970-1974.	15
5	APPRAISED VALUATION TRENDS, FISCAL YEAR 1970-1974.	17
6	PROJECTED REVENUE SUMMARY BY FUND, FISCAL YEAR 1976-1980.	18
7	PROJECTED EXPENDITURES SUMMARY BY FUND, FISCAL YEAR 1976-1980.	19

TABLE OF CONTENTS

Chapter		Page
I	BACKGROUND AND PURPOSE	1
	Introduction	1
	Definitions	3
II	CAPITAL IMPROVEMENTS BUDGET	8
	Methodology	8
	Current Policies and Bonded Indebtedness	10
	Revenue and Expenditures, 1970-1975	11
	Revenue and Expenditures, 1975-1980	16
III	METHODS OF FINANCING CAPITAL IMPROVEMENTS	21
	General Obligation Bonds	21
	Revenue Bonds	22
	Special Assessment or Benefit Assessment	22
	Current Revenues	23
	Capital Reserve Fund	23
	Subdivision Regulations	23
	State and Federal Grants and/or Loans	24
	Private Gifts	24
IV	ONGOING AND PROPOSED CAPITAL IMPROVEMENTS	27
	Priorities	27
	Projects	29

I

BACKGROUND AND PURPOSE

Introduction

The premise of capital budgeting is to systematically and prudently expend capital outlays in financing, acquiring and building public facilities. By projecting and scheduling capital improvements in advance, the following advantages are accrued to Forest City:

1. Imprudent and untimely expenditures are prevented by planning for a projected time period;

2. Budgeting takes place according to a proper sequence of scheduling which assures that appropriations are available when construction is begun;

3. Consolidation of capital improvements for all departments gives the administration an overall view of the needs within his realm of responsibility;

4. By providing a schedule of investments, the possibilities of an excessive tax increase are alleviated.

5. Insures community goals are aligned and understood by the populace;

6. Inspires public confidence in administrative officials and legislative body;

7. Because the capital improvements budget provides a scale for a period of five years, or more, major acquisitions, such as land and buildings can be purchased under favorable market conditions.

What are capital improvements? They are generally large, permanent and long-term facilities, either newly constructed or renovated, which provide the public with additional or replacement facilities which are deemed necessary to provide services to the populace; for example acquisition of land, parks, public

buildings, recreation centers, water system, sewer systems, etc. However, in order to provide a more useful document, any item that is a fixed asset--such as cars, typewriters, desk, etc., will be considered a capital improvement in this study.

Also included in Capital Budgets are major equipment purchases. As a general rule, major equipment constitutes heavy machinery with a life expectancy of fifteen years or more; for example, fire trucks, bulldozers, etc.

In summation, the Capital Improvements Budget should include the following categories:

1. New construction;
2. Major repairs, replacements and/or additions;
3. Land and/or rights-of-way acquisition;
4. Major equipment to be purchased and;
5. Pre-construction studies--planning, engineering and architectural design.

Definitions

In order to clearly understand what is said and meant in this report, the following terms and phrases are defined:

Bond Rating. Bond ratings are simply an indication by a numerical score or a letter grade of the quality of the locality's credit capacity. A good credit rating is of great importance to an issuer of bonds since it has a direct bearing on the relative cost which must be paid on its obligations. Bonds with a particular letter rating may sell with a yield from one-tenth to one-quarter of one percent lower than a bond with the next lower letter grade. For example, the difference of one-quarter of one percent for $1,000,000 in bonds over 20 years represents $50,000. It is easy to project the potential savings in interest costs through improved bond ratings.[1]

Bonding Capacity or Debt Limit. The maximum amount of bonds outstanding which a locality may have at any one time. Usually stated as a percentage of total appraised valuation.

Capital Expenditures. Expenditures which in the acquisition of or addition to fixed assets in the form of land, buildings, improvements of a permanent nature and equipment of a durable character.

Capital Reserve Fund. A fund established to provide for the future acquisition of or addition to fixed assets.

Current Liabilities. Liabilities which are payable immediately or in the near future, usually no longer than one

---

[1] Bond Ratings, Local Government Commission, Raleigh, N.C., 1970, p. 3.

year, out of current revenues.

Debt Serivce. The periodic obligation to pay interest and principal on the outstanding debt. Usually, the annual amount necessary to retire the debt.

Dog Taxes. Counties may impose a regular tax of $1.00 on male dogs and $2.00 on open female dogs, as well as listing them as personal property.[1]

Franchise Tax. A tax on a special privilege granted by a government permitting the continuing use of public property, such as streets, and involving the elements of monopoly and regulation. The State of North Carolina levies such a tax.

General Obligation Bonds. Bonds issued by a locality for general improvement and the debt retirement (principal and interest) are pledged by the full faith and credit of the locality. The locality will use all resources available to pay off the bonds. State laws regulate general obligation bond sales by any locality. The bonding capacity or legal debt limit for general obligation bonds for North Carolina counties is limited to 8 percent of the appraised valuation except for bonds issued for hospital purposes. The debt limit has been changed effective July 1, 1973.[2] Generally, bonds cannot continue for longer than

---

[1]Wicker, Warren Jake, County Revenues and Expenditures in North Carolina, Institute of Government, Chapel Hill, 1972, p. 16.

[2]There will be no distinction between school and other purpose debt. Debt, except for bonds issued for water, gas, electric and power, sanitary sewer facilities ordered constructed by Department of Natural and Economic Resources or to prevent beach erosion, limited to 8% of appraised valuation. Sanitary sewer bonds are not subject to the limitation if found to be self-supporting. (G. S. 159-55).

the useful life of the bonds are issued. State law specifies maximum length of terms for the following improvements: (1) funding or refunding bonds--50 years, (2) public buildings (with provisions)--40 years, (3) water systems or sanitary sewer systems--40 years, and (4) lands for public parks and playgrounds, including improvements, buildings, and equipment--40 years.[1] The State specifically defines the purposes for which bonds may be issued and taxes levied by law.[2]

Operating Expenditures. Expenditures necessary to the maintenance of the city government and functions, the rendering of services and collection of taxes.

Outstanding Debt. The total amount of direct debt of all types of a government unit.

Personal Property Tax. Tax on personal property such as household goods, automobiles, etc., levied on the owner in proportion to the assessed valuation of the property.

Property Tax Assessment. The process of making the official valuation of property for the purpose of taxation. The valuation placed upon property during such process. Revaluation is made every eight years under State law and is a county responsibility.

Property Tax Rate. The amount of tax on property stated as a certain amount of money per unit of appraised valuation; for example: $1.00 per $100 of appraised valuation. The tax rate is set annually by the governing body of the municipality and county.

---

[1] G.S. 153-80

[2] G.S. 153-77

Real Estate Stamp Tax. This tax is levied by the State. It is collected by the register of deeds and the proceeds to into the county general fund. The tax is $.50 on each $500 (or fraction) of the value of the property conveyed.[1]

Real Property Tax. Tax on real estate such as land and structures levied on the owner in proportion to the appraised valuation of the property.

Revenue Bonds. Bonds on which the principal and interest are to be paid solely from earnings--usually from those of a utility or other public service.

Revolving Fund. Fund provided for carrying out a cycle of operations, the amount extended from the fund being restored out of earning operations or by transfers by other funds so that it is always in fact in the form of cash, receivables, or other assets.

Special Assessment. A charge made by a local government against certain properties to defray part or all of a specific improvement or service which is presumed to be of general benefit to the public but of special benefit to the owners of such properties. This is possible in the case of streets, sidewalks, curb and gutter, storm drainage improvements, and water and sewer line improvements.

State or Federal Grant-in-Aid. Contributions by a superior government to another governmental unit; the contributions are usually made for specific purposes and without reference to

---

[1]Wicker, Warren Jake, County Revenues and Expenditures in North Carolina, Institute of Government, Chapel Hill, 1972, p. 16.

the yield from tax levies. Example: Planning Assistance Grants.

State Shared Tax. State collected taxes shared with local governmental units according to an established formula which may be based on population, area, and/or tax collections. Examples: franchise taxes, intangible taxes, Powell Bill.

Unencumbered Bonding Capacity. The difference between the bonding capacity of the municipality and the total bonds outstanding.

II

CAPITAL IMPROVEMENTS BUDGET

Before establishing any type of program or planning a project, assets and liabilities must be determined. Also, the ever-increasing factor of inflation must be given great consideration. The Capital Improvements Budget is based upon projections for future revenues and operating expenditures of city government from past trends. In developing the Capital Improvements Budget for Forest City, projections for FY 1976-FY 1980 were based on city revenues and expenditures from FY 1970 to FY 1974.

The FY 1970-FY 1974 revenues and expenditures were identified by funds including the following categories: general city funds; intangible funds; special funds; general debt service fund; and revenue sharing trust fund. Uses of these future revenues and expenditures were projected by three different methods--arithmetic, geometric and least squares.

Methodology

The arithmetic method of projection utilizes a given numerical change in revenues or expenditures from one point in time to another, as exhibited in the past. The geometric method uses a percentage change rather than numerical change to project future revenues and expenditures. The least squares method uses regression analysis to compute a trend line "best fitting" the past patterns of revenues and expenditures. An algebraic

relationship between the revenues/expenditures (y) and the point in time on which the revenues and expenditures are recorded (x) is established whereas for any date (x), a best estimate as to revenues/expenditures (y) can be obtained. The basic formula is $y = a + bx$, where:

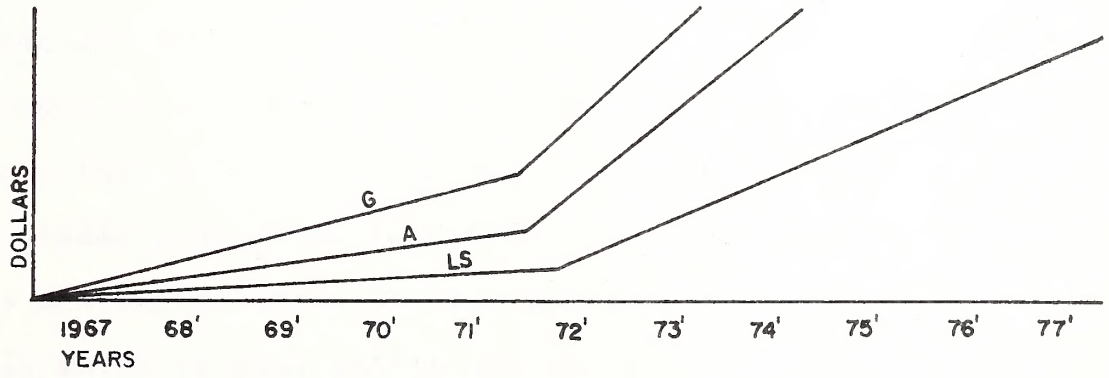
y = the revenues/expenditures projection

a = the point where the trend line crosses the vertical axis

b = the calculated "best fitting" average change in revenues/expenditures

x = the year for which the projection is made

For each category of revenues and expenditures, the arithmetic geometric and least squares projections were charted on a graph to determine the rate of change for each (see illustration).



For this study, the arithmetic projections were used with some slight variation in certain areas where it was thought that data given to the computer scientist were or had become invalid.

Current Policies

Heretofore, as in most other cities, Forest City has issued bonds to finance major capital improvements. For example, in 1973, Forest City issued bonds to finance water, sanitary and sewer improvements. However, Forest City has invested wisely to provide for prosperity. The City has retained excess revenue in order to provide for future capital improvements and services.

According to the local government commission, Forest City may incur a debt of no more than eight percent of its appraised evaluation. However, this does not include indebtedness incurred for erosion control on utility projections because these are exempt from the eight percent limitation. At the present, Forest City has an indebtedness of $1,925,000 (see Table 2 for a detailed analysis).

Investment bankers recommend limiting annual debt service to no more than ten percent of the annual operating costs. For the fiscal year 1974, Forest City's total expenditures were over 1.8 million dollars; and the general debt service was $157,781, which is well within the ten percent perimeter. As to the capacity of the city to be bonded, there are statutory limitations; and the State of North Carolina Local Government

Commission makes the determination of maximum debt limitation. In making this determination, the Commission considers the following: current interest rates, the condition of the national economy, current public debt per capita, the current appraised valuation and the current ad valorem tax vote.

If bonds must be issued for improvements, the city should arrange its debt retirement schedule to assure that at least 25 percent of the principal is due to be amortized within a five-year period. By using this policy, bonds are amortized within 20 years of issuance.

Table 1 shows the annual debt service requirements on existing bonded indebtedness for Forest City from 1975 to 1980; and Table 2 depicts the outstanding principal, the projected appraised valuation and the projected legal debt limit for the City from 1975 to 1980, as estimated.

Revenues and Expenditures, 1970-1974

The revenues and expenditures by Funds--General, Special, Utilities, Service, General Debt and Revenue Sharing--are shown in Tables 3 and 4.

General Fund Revenues for Forest City have increased from $416,122 in FY 1968 to $608,605 in FY 1974, an increase of $192,482. The largest revenue producer for the City has been and still is the Electric Fund--$322,739 for FY 1974 after all expenditures. The second largest source of income to the city is the Ad Valorem Tax which was $229,230 in FY 1974. In addition to these large sources, the general revenue sharing program has added approximately $75,000 per year since its inception.

TABLE 1

ANNUAL DEBT SERVICE REQUIREMENTS

FOREST CITY, 1975-1980

Fiscal Year	Utilities		Other		Total	
	Principal	Principal & Interest	Principal	Principal & Interest	Principal	Principal & Interest
1975-76	$50,000.00	$74,790.00	$5,000.00	$7,045.00	$55,000.00	$81,835.00
1976-77	55,000.00	77,835.00	5,000.00	6,875.00	60,000.00	84,710.00
1977-78	55,000.00	75,752.50	5,000.00	6,702.50	60,000.00	82,455.00
1978-79	55,000.00	73,665.00	5,000.00	6,527.50	60,000.00	80,192.50
1979-80	55,000.00	71,577.50	5,000.00	6,352.50	60,000.00	77,930.00

Source: North Carolina Local Government Commission

TABLE 2

OUTSTANDING PRINCIPAL, PROJECTED APPRAISED VALUATION AND PROJECTED DEBT LIMIT
FOREST CITY, 1975-1980

	Outstanding Principal at Beginning of Fiscal Year				
	Not Subject To Statutory Limitation	Subject To Statutory Limitation	Total	Projected Appraised[1] Valuation	Projected[1] Debt Limit[2]
1975-76	$421,666.64	$283,333.36	$705,000.00	$60,171,595	$4,813,727
1976-77	394,999.97	255,000.03	650,000.00	63,178,087	5,054,246
1977-78	366,666.64	223,333.36	590,000.00	66,336,991	5,306,959
1978-79	338,333.31	191,666.69	530,000.00	69,653,840	5,572,307
1979-80	309,999.98	160,000.02	470,000.00	73,136,532	5,850,922

[1] Based on average annual increase.

[2] Eight percent valuation. This figure does not include bonds issued for water, gas, electric and power, sanitary sewer facilities ordered constructed by the Dept. of Natural and Economic Resources. Sanitary sewer bonds are not subject to the limitation if found to be self supporting.

Source: Local Government Commission and Division of Community Services.

TABLE 3

REVENUE SUMMARY

FOREST CITY, N.C. - 1970-74

	FY 70	FY 71	FY72	FY 73	FY 74
General Fund					
Advalorem Taxes	$144,045	$151,000	$157,000	$218,698	$229,230
Penalties					
Licenses and Permits	6,472	5,703	5,953	6,958	6,985
TOTALS	$150,517	$156,703	$162,953	$225,656	$236,215
Intangible					
Powell Bill	$ 39,936	$ 42,000	$ 43,137	$ 90,730	$ 98,746
Utility Franchise	16,783	27,083	33,176	39,852	47,004
Other Intergovernmental Revenues	6,304	8,000	8,700	10,735	10,888
Miscellaneous	30,000	32,000	33,000	34,000	35,000
TOTALS	$ 93,023	$109,083	$118,013	$175,317	$191,638
Service					
Refuse Collection	$ 18,961	$ 38,325	$ 39,417	$ 72,823	$ 77,834
Cemetery	3,370	1,115	2,345	3,525	4,400
Other	5,000	6,000	7,000	6,000	6,000
TOTALS	$ 27,331	$ 45,440	$ 48,762	$ 82,348	$ 88,234
Utilities					
Electric Revenues	$616,383	$713,700	$878,818	$1,031,000	$1,276,271
Utility Fund	167,394	233,846	267,711	326,570	322,165
TOTALS	$783,777	$947,546	$1,146,529	$1,357,570	$1,598,436
Special Fund	$ 26,335	$ 28,108	$ 26,674	$ 58,579	$ 38,788
TOTALS	$1,080,983	$1,286,880	$1,502,931	$1,899,470	$2,153,311

Source: Audit Reports, Forest City, N. C., 1970-1974

Revenue Sharing:	1973	1974	1975
	79,000	63,459	72,000

TABLE 4

EXPENDITURE SUMMARY

FOREST CITY, N.C. - 1970-1974

Expenditures	FY 70	FY 71	FY 72	FY 73	FY 74
General Fund					
Administration Exp.	$ 34,428	$ 24,359	$ 37,443	$ 27,256	$ 29,878
Mayor & Commissioners	4,263	4,658	4,293	4,430	4,281
Finance				12,450	29,635
Police	97,761	97,404	125,815	122,391	149,411
Fire	35,663	34,405	43,040	50,875	62,290
Public Safety				9,644	7,603
Inspections	9,262	10,701	11,979	6,734	7,060
Streets	97,341	95,228	94,645	99,750	121,097
Sanitation	76,653	100,468	115,262	102,866	108,185
Garage/Warehouse	9,750	10,791	12,833	16,195	17,781
Cemetery	3,526	4,514	5,243	5,066	6,082
Non-Department	38,266	54,343	55,462	65,546	61,318
TOTALS	$406,913	$ 436,871	$ 506,015	$ 523,203	$ 604,621
Special Fund					
Recreation	55,647	$ 58,817	$ 69,669	$ 93,630	$ 85,415
Library	10,574	12,310	12,456	11,241	10,917
Non-Departmental				6,785	7,913
TOTALS	$ 66,221	$ 71,127	$ 82,125	$ 111,656	$ 104,245
Utilities					
Electric Fund Admin.	$ 24,387	$ 21,037	$ 23,589	$ 18,681	$ 20,202
Operations & Maintenance	320,000	382,115	545,480	691,135	862,227
Water & Sewer Fund Admin.	29,065	34,602	37,225	52,896	55,583
Operations & Maintenance	153,265	170,768	194,988	218,912	190,801
TOTALS	$526,717	$ 608,522	$ 801,282	$ 981,624	$1,128,813
TOTALS	$999,851	$1,116,520	$1,389,422	$1,616,483	$1,837,679

Source: Audit Reports, Forest City, N. C., 1970-1974

The trend in the general revenues from 1970 to 1974 has increased at a normal rate or remained relatively constant.

The tax rate prior to 1974 was based on sixty percent (60%) valuation but now is based on one hundred percent (100%) valuation. (See Table 5).

In summation, Forest City is in excellent financial position, primarily due to the electric fund which provides the majority of the revenue. Due to this excellent revenue source, Forest City should be able to provide the services and capital improvements that are demanded by its populace.

Revenues and Expenditures, 1976-1980

It would be both beneficial and economical if revenues and expenditures could be accurately projected. However, several factors, such as the loss of an industry, an increase in fuel prices, the abolishment of a Federal or State program, etc., which influence the economy of a small county or municipality are unpredictable and unattestable. As the economy and population change, the financial well being of a county or municipality changes. As in any organization, sound financial management is the major factor in balancing the budget.

In order to determine the revenues and expenditures for Forest City during the next five-year period, mathematical projections were made for 1976 to 1980 using the revenues and expenditures for 1970 to 1974 as base input data. By using this method, it is assumed that the past financial trends will be indicative of the future (See Table 6 and 7).

TABLE 5

APPRAISED VALUATION AND TAX RATE

FOREST CITY, N.C. - 1970-74

Year	Real and Personal Property	Tax Rate	Percentage
1970-1971	$26,312,862.00	.60	60%
1971-1972	26,503,075.00	.60	60%
1972-1973	27,744,720.00	.60	60%
1973-1974	29,008,878.00	.75	60%
1974-1975	31,894,829.00	.75	60%
1975-1976	57,371,595.00	.50	100%

Source: Audit Reports, Forest City, N. C. 1970-1976

*Last Tax Evaluation 1975

TABLE 6

PROJECTED REVENUE SUMMARY

FOREST CITY, N. C. - 1976-1980

	FY 76	FY 77	FY 78	FY 79	FY 80
General Fund					
Advalorem Taxes	$ 275,408	$ 305,010	$ 326,588	$ 350,927	$ 376,027
Licenses and Permits	7,466	7,844	8,066	8,336	8,641
TOTALS	$ 282,874	$ 312,854	$ 334,654	$ 359,263	$ 384,668
Intangible					
Powell Bill	$ 131,311	$ 153,354	$ 169,010	$ 186,576	$ 204,858
Utility Franchise	61,428	68,491	75,651	82,813	89,876
Other Intergovernment Revenues	13,043	14,128	14,976	15,999	16,990
Miscellaneous	36,000	37,000	38,000	39,000	40,000
TOTALS	$ 241,782	$ 272,973	$ 297,637	$ 324,388	$ 351,724
Service					
Refuse Collection	$ 106,109	$ 122,782	$ 135,272	$ 149,631	$ 163,901
Cemetery	5,543	6,343	7,047	7,709	8,472
Other	6,313	6,141	6,176	6,220	6,212
TOTALS	$ 117,965	$ 135,266	$ 148,495	$ 163,560	$ 178,585
Utilities					
Electric Revenues	$1,623,129	$1,809,206	$2,003,758	$2,185,630	$2,371,727
Utility Fund	392,611	423,836	448,152	479,649	509,347
TOTALS	$2,015,740	$2,233,042	$2,451,910	$2,665,279	$2,881,074
Special Fund	$ 43,622	$ 44,978	$ 46,888	$ 48,201	$ 49,017
TOTALS	$2,701,983	$2,999,113	$3,279,584	$3,560,691	$3,845,068

TABLE 7

PROJECTED EXPENDITURE SUMMARY

FOREST CITY, N.C. - 1976-1980

Expenditures	FY 76	FY 77	FY 78	FY 79	FY 80
General Fund					
Administration Exp.	$ 30,908	$ 31,835	$ 32,790	$ 33,773	$ 34,786
Mayor & Commissioners	4,192	4,167	4,102	4,057	3,999
Finance	33,812	35,502	37,277	39,140	41,097
Police	178,553	191,738	209,075	223,991	239,407
Fire	77,582	86,218	95,053	103,244	111,819
Public Safety	6,333	5,688	5,614	5,212	5,107
Inspections	5,462	3,832	3,107	2,119	1,021
Streets	134,998	148,074	156,405	165,232	174,781
Sanitation	119,968	121,145	125,714	130,096	133,604
Cemetery	7,273	7,780	8,459	9,053	9,636
Non-Department	70,081	70,266	73,966	76,071	79,760
TOTALS	$ 669,162	$ 706,245	$ 751,562	$ 791,988	$ 835,017
Special Fund					
Recreation	$ 101,367	$ 109,292	$ 113,207	$ 120,155	$ 126,979
Library	11,003	10,676	10,231	9,978	9,744
Non-Departmental	10,169	11,297	12,425	13,553	14,681
TOTALS	$ 122,539	$ 131,265	$ 135,863	$ 143,686	$ 151,404
Utilities					
Electric Fund Admin.	$ 18,685	$ 17,460	$ 17,154	$ 16,392	$ 15,701
Operations & Maintenance	1,151,701	1,303,256	1,456,286	1,604,801	1,756,556
Water & Sewer Fund Admin.	69,115	77,088	83,136	90,024	96,977
Operations & Maintenance	207,539	210,677	208,618	213,073	316,295
TOTALS	$1,447,040	$1,608,481	$1,765,194	$1,924,290	$2,185,529
TOTALS	$2,238,741	$2,459,991	$2,652,619	$2,859,964	$3,171,950

The mathematical projections for each category were made by using the geometric, arithmetic and least square methods, explained in the methodology section. In many cases, an average of two projections was utilized. Where the projected amounts reflect sudden increases or decreases in expenditures and revenues, it is generally attributable to nonrecurring items.

Also considered in determining future projections were known or anticipated major changes in policy or responsibility; therefore, projections were modified to reflect these changes.

In summation, if the projections hold true, revenue sharing continues and inflation abates or stabilizes, Forest City should be able to implement the capital improvements that are proposed without incurring an ever taxing burden. These projects will be outlined fully in another sub-chapter.

III

METHODS OF FINANCING CAPITAL IMPROVEMENTS

General Obligation Bonds

General obligation bonds are financed from property taxes, through benefit assessment, or by utility revenues. The assessed valuation of property in the county is pledged as security toward payment of general obligation bonds. These bonds are therefore, tax liens on all assessable property in the county.

EXISTING CONSTITUTION AND STATUTES PRIOR TO JULY 1, 1973	CONSTITUTION AND STATUTES EFFECTIVE JULY 1, 1973 AND THEREAFTER
DEBT	
(a) Voter approval required for contracting debt (issuing bonds or other obligations, contracts or agreements requiring payment beyond current fiscal year) if:	(a) Voter approval required for borrowing money secured by pledge of taxing power (contracts and agreements requiring payment beyond current fiscal year have no constitutional restrictions) if:
(1) amount of debt already contracted in a fiscal year exceeds 2/3 of net debt reduction for proceding year; (Article V, Section 4(1), or	(1) amount of debt already contracted in a fiscal year exceeds 2/3 of net debt reduction for preceding year; (Article V, Section 4(2), or
(2) purpose of issue is for "non-necessary" expense (judicial determination airports, hospitals, etc.) even if amount is within 2/3 rule. (Article V, Section 4(2); Prior to July 1, 1971, Article VII, Section 6)	(2) purpose of issue is not authorized by general law applicable to all counties; (Article V, Section 4(2), or
(b) Other limitations on debt:	(b) Other limitations on debt:
(1) Debt for other than school purposes--limited to 5% of assessed valuation, except for bonds issued for hospital purposes. (G.S. 153-87; G.S. 131-126.23)	(1) No distinction between school and other purpose debt. Debt, except for bonds issued for water, gas, electric and power, sanitary sewer facilities ordered constructed by Department of Water and Air Resources

(2) Debt for school purposes--limited to 5% of assessed valuation, except when county has assumed all school districts' debt, then limitation is 8% of assessed valuation. (G.S. 153-87)

or to prevent beach erosion, limited to 8% of appraised valuation. Sanitary sewer bonds are not subject to the limitation if found to be self-supporting. (G.S. 159-55)

(2) Contracts and agreements requiring payment beyond current fiscal year are treated as if they were bond issues by requiring that they be approved by the Local Government Commission and that they sums committed thereby be counted against the legal debt limit. (G.S. 159-150)[1]

Revenue Bonds

State law regulates revenue bond sales. The maximum length that bonds can run is 40 years. Revenue bonds do not count against the locality's legal bonding capacity in that they eventually pay for themselves.

While revenue bonds are outside the debt limit, revenues must be sufficient to cover payment of the bonds after all operating costs have been met. It is sometimes necessary to increase user charges to meet these conditions.

Special Assessment or Benefit Assessment

In order to pay in part or in full for an improvement, assessments are sometimes levied upon those property owners

---

[1]Summary of Tax and Debt Limitations, Local Government Commission, 1971.

specifically benefited by the improvement. Such an assessment may be levied against property where a water or sewer line is to be installed. Special assessments usually apply also to churches, institutions, etc., that are ordinarily exempt from property taxes. General obligation bonds sold by a locality are sometimes repaid through benefit assessment.

Current Revenues

In addition to general operating costs, current revenue funds are the major source of capital improvements in the annual budget. Financing from current revenue is a pay-as-you-go policy. Disadvantages occur when expenditures are of comparatively large amounts. This results in unusual fluctuations in the tax rate which could be eliminated by distributing the cost over several years with long-term bonds. Sometimes users charges, such as those for water, are increased so that capital improvements can be financed from current revenues.

Capital Reserve Funds

This is a savings fund in which monies are added from the general fund or from a tax levied for this purpose. These monies are set aside for future necessary capital expenditures. This fund can be used to even out large capital expenditures which occur infrequently.

Subdivision Regulations

Subdivision regulations may require subdividers to provide certain public improvements at the time a new subdivision

is built. Street grading, water mains, storm and sanitary sewers, and sidewalks may be required. If sufficient manpower and equipment are available, the city itself may install the improvements with the subdivider paying the cost. When the subdivider takes the responsibility for constructing improvements, the city must inspect the improvements before approval of the final subdivision plat, or a performance bond should be posted to guarantee that all improvements will be installed in accordance with specified standards.

State and Federal Grants and/or Loans

State and Federal grant-in-aid programs are frequently available to plan, construct, and finance capital improvements. Revenue sharing is one of the new financial sources available to cities to aid in the acquisition of public facilities and improved services.

Private Gifts

Bequests, grants, donations, and private subscriptions of land, money, buildings, or equipment are sometimes made to municipalities and counties. Several examples may illustrate possibilities; a local manufacturing concern may build a facility for the city an estate or trust may specify money or land for a public park; a service club may raise money to provide facilities for a public park or other public use. Care must be exercised, however, so that a particular gift will not become a burden to the city. A building donated for public use may not necessarily be free if it is obsolete and in need of

remodeling. In the long run, it may be cheaper for the city to construct a new building designed specifically for an intended and needed use.

IV

ONGOING AND PROPOSED CAPITAL IMPROVEMENTS

The following section deals with the programming of the ongoing and proposed public improvements. Each project will be listed showing estimated cost, local cost, sources of revenue, and the year(s) when each is scheduled for action. Each project is described, and a justification for each is stated. Also explained are programming and elements, land requirements and relationship to other projects.

When utilization of state and federal funds for projects is recommended, it is assumed that the maximum grant will be received. Local funds for these projects are allocated accordingly.

One of the most important aspects of a capital improvements program is the assigning of priorities to the various projects to assure that the proposed projects are undertaken in the proper sequence. In designating priorities, which were determined by city officials, the following criteria were used:

> Priority A. Projects which need not be postponed. These may be needed to complete an essential, partially finished project, to maintain a minimum, presently established departmental program, or to meet an emergency situation. Initiation of project is usually established during the first two years of the five-year planning program;
>
> Priority B. Projects which should be initiated within the third and/or fourth year of the five-year planning program to meet anticipated needs of a current departmental program or for replacement of unsatisfactory facilities;
>
> Priority C. Projects which should be initiated within the last two years of the five-year planning program to meet the needs for proper expansion of departmental programs and replacement of unsatisfactory facilities;

When two or more priority designations have been used, it is a result of the investment schedule. For example, if particle monies have been allocated for a project that exceeds two years and that is diversified--with immediate construction to begin--two priorities were assigned.

PRIORITY A

DEPARTMENT: City Library	PROJECT TITLE: General Purchases & Renovation						
PROJECT ESTIMATE	ESTIMATED TOTAL COST	PRIOR AUTHORI-ZATIONS	FISCAL YEARS				
			1975-76	1976-77	1977-78	1978-79	1979-80
Renovation	$2,000.00			$1,000.00	$500.00	$500.00	
Card Catalogue	350.00	None			350.00		
Drapes	1,000.00	None		1,000.00			
Two Couches	500.00	None	500.00				
Ten Card Tables	500.00	None	500.00				
Typewriters, Adding Machine	500.00	None				500.00	
Shelving	500.00	None		500.00			
ESTIMATED TOTAL PROJECT COST	$5,350.00		$1,000.00	$2,500.00	$850.00	$1,000.00	

Plan of Financing: General Fund

PRIORITY A

DEPARTMENT: Water & Sewer Department	PROJECT TITLE: General Equipment Purchases and Sewer Plant Update						
PROJECT ESTIMATE	ESTIMATED TOTAL COST	PRIOR AUTHORI-ZATIONS	FISCAL YEARS 1975-76	1976-77	1977-78	1978-79	1979-80
Sewer Update	$ 750,000	$ 93,750		$750,000			
Water Reservoir	500,000	None		200,000	$100,000	$200,000	
SECONDARY PROJECTS							
Tractor and Equipment	6,000	None		6,000			
Laboratory Equipment	9,000	None		3,000	2,000	2,000	$2,000
TOTAL PROJECT COST (ESTIMATED)	$1,265,000	$ 93,750		$959,000	$102,000	$202,000	$2,000

Plan of Financing: 201 Sewer Grant and General Fund
75% Federal
12 1/2 % State
12 1/2 % City

PRIORITY A

DEPARTMENT: Fire Department	PROJECT TITLE: Construction of Fire Building and Sub-station General Equipment Purchases						
PROJECT ESTIMATE	ESTIMATED TOTAL COST	PRIOR AUTHORI-ZATIONS	FISCAL YEARS 1975-76	1976-77	1977-78	1978-79	1979-80
Main Fire Building	$200,000	$100,000					
SECONDARY PROJECTS							
Fire Truck Fund	7,000		$7,000				
Sub-station	100,000		50,000	$50,000			
Radio Equipment	1,000		1,000				
TOTAL PROJECT COST (ESTIMATED)	$308,000	$100,000	$58,000	$50,000			

Plan of Financing: General Fund

PRIORITY A

DEPARTMENT: Streets and Sewer	PROJECT TITLE: General Equipment Purchases						
PROJECT ESTIMATE	ESTIMATED TOTAL COST	PRIOR AUTHORI-ZATIONS	FISCAL YEARS 1975-76	1976-77	1977-78	1978-79	1979-80
Streets:							
Motor Grader	$26,000		$26,000				
Street Sweeper	22,000		22,000				
Two Ton Truck Pickup	41,000		7,000	$7,000	$8,500	$9,000	$9,500
Sewer:	3,500			3,500			
Backhole	16,000			16,000			
Piping	80,000		16,000	16,000	16,000	16,000	16,000
TOTAL PROJECT COST (ESTIMATED)	$188,500		$71,000	$42,500	$24,500	$25,000	$25,500

Plan of Financing: General Fund

PRIORITY A & C

DEPARTMENT: Municipal Golf Course	PROJECT TITLE: General Upkeep						
PROJECT ESTIMATE	ESTIMATED TOTAL COST	PRIOR AUTHORI-ZATIONS	FISCAL YEARS 1975-76	1976-77	1977-78	1978-79	1979-80
New Roof	$1,500		$1,500				
Greens Mower	1,500			$1,500			
TOTAL PROJECT COST (ESTIMATED)	$3,000		$1,500	$1,500			

Plan of Financing: General Fund

PRIORITY A

DEPARTMENT: Public Works	PROJECT TITLE: General Equipment Purchases						
PROJECT ESTIMATE	ESTIMATED TOTAL COST	PRIOR AUTHORI-ZATIONS	FISCAL YEARS 1975-76	1976-77	1977-78	1978-79	1979-80
Two Pickups	$ 7,000		$7,000				
Line Truck	70,000			$35,000	$35,000		
Typewriter	700		700				
TOTAL PROJECT COST (ESTIMATED)	$77,700		$7,700	$35,000	$35,000		

Plan of Financing: General Fund

PRIORITY A

DEPARTMENT: Police Department	PROJECT TITLE: General Equipment Purchase						
PROJECT ESTIMATE	ESTIMATED TOTAL COST	PRIOR AUTHORI-ZATIONS	FISCAL YEARS 1975-76	1976-77	1977-78	1978-79	1979-80
Police Cars	$41,310	None	$13,770	$13,770	$13,770	$13,770	$13,770
Copier	4,500	None	4,500				
TOTAL PROJECT COST (ESTIMATED)	$45,810		$18,270	$13,770	$13,770	$13,770	$13,770

Plan of Financing: General Fund

PRIORITY A

DEPARTMENT: General Administration	PROJECT TITLE: General Equipment Purchases & Property Procurement						
PROJECT ESTIMATE	ESTIMATED TOTAL COST	PRIOR AUTHORI-ZATIONS	FISCAL YEARS 1975-76	1976-77	1977-78	1978-79	1979-80
General Office Equipment	$5,550		$1,550	$1,000	$1,000	$1,000	$1,000
Calculator							
Desk							
Chair							
Typewriter							
Etc.							
Property Procurement	100,000		100,000				
TOTAL PROJECT COST (ESTIMATED)	$105,550		$101,550	$1,000	$1,000	$1,000	$1,000

Plan of Financing: General Fund

PRIORITY A

DEPARTMENT: Recreation Department	PROJECT TITLE: Recreation						
PROJECT ESTIMATE	ESTIMATED TOTAL COST	PRIOR AUTHORI-ZATIONS	FISCAL YEARS				
			1975-76	1976-77	1977-78	1978-79	1979-80
Recreation Lighted Athletic Fields Multi-Purpose Building Picnic Areas Playground Paved Road	$303,826		$151,913	$151,913			
TOTAL PROJECT COST (ESTIMATED)	$303,826		$151,913	$151,913			

Plan of Financing:

Local - $151,913
Federal $151,913
$303,826